

# BRIEFLY

TFFR News Briefs for Employers from the ND Retirement and Investment Office  
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## Tax Reporting Questions



Recently we have had several phone calls from employers, teachers, and accounting firms questioning whether recent tax law changes require TFFR retirement contributions to be reported in Box 12 of the W-2 form. Our understanding is that **elective deferrals** are placed in Box 12. TFFR contributions are not elective deferrals, but **mandatory** (required) employee contributions to a Section 401(a) defined benefit plan.

As noted on page 19 of the Employer Guide, TFFR member contributions withheld from pay (Model 1) or paid by the employer in lieu of a salary increase (Models 2 & 3) are not required to be reported on the W-2 form. However, if the district wishes, this amount may be reported in Box 14.

School districts and participating employers are responsible for accurately preparing and reporting employee tax information. However, the above information is provided to assist you and your tax advisor in determining tax treatment of TFFR retirement contributions.

## Model 3 Discontinued



TFFR has developed three basic models relating to employer payment of member contributions. Model 1 allows the tax deferral of member contributions under a salary reduction plan. Model 2 allows all or a percent of the member contributions to be paid by the employer in lieu of a salary increase. Model 3 allows a certain dollar amount to be paid by the employer in lieu of a salary increase.

Special provisions apply to state agencies, college teachers grandfathered under old laws, counties, and employers that have not adopted a model.

Model 3 has been difficult for employers and teachers to understand, negotiate, and implement. These difficulties have resulted in TFFR and tax reporting errors. At their March meeting, the TFFR Board approved a policy to no longer allow employers to select Model 3. However, any employers currently paying member contributions under Model 3 may continue as a closed group. The policy goes into effect July 1, 2003.

## TFFR Legislation

Senate Bill 2057, TFFR's administrative bill, passed the Senate (47-0) and the House (92-0). It will now go to the Governor for signature. You may view the entire bill and a



summary of the bill status as it moves through the session at the RIO website [www.discovernd.com/rio](http://www.discovernd.com/rio) or by contacting our office.

### SB 2057 Changes:

- Definition of salary
- Dual membership guidelines
- Retiree return to teach limits
- Purchase of service credit acceptance of rollover dollars and allows employer purchase of service credit on behalf of a member
- 5-year Term Certain and Life Option to a 20-year Term Certain and Life Option and adds a Partial Lump Sum Distribution Option

If approved, the legislative changes in SB 2057 will become effective August 1, 2003. Look for additional information regarding how the legislation will affect TFFR employers in the June "Briefly."

## Retirement Options for Reservists



If you have not already done so, please complete a Member Action form to notify TFFR that you have an employee on military leave. When the employee returns from leave, complete another Member Action Form.

Once we are notified that a member has returned to TFFR covered employment, we will determine if the member is eligible to purchase military service credit under the Uniformed Services Employment and Reemployment Rights Act (USERRA). The cost to purchase will be calculated and a request for payment will be sent to the employer.

The table below details who would be responsible for payment if a member elects to purchase lost service credit and/or salary under USERRA.

<b>Model 1 or No Model</b>	Member pays employee contribution (7.75% of lost salary)
	Employer pays employer contribution (7.75% of lost salary)
<b>Model 2 All</b>	Member pays 0 Employer pays employer & employee contribution (15.5% of lost retirement salary)
<b>Model 2 Partial or Model 3</b>	Member & employer each pay their part of the employee contribution (total 7.75% of lost retirement salary)
	Employer pays employer contribution (7.75% of lost retirement salary)

## Reminders

- To close a member record, TFFR requires compensated hours (not to exceed 700) and last date worked. This information should be reported the same month you report the final salaries earned (May or June). The due date for final payment of contributions (fiscal year ending June 30, 2003) is July 15, 2003. If you need to make a change to salary, compensated hours, or last date worked, please notify us in writing.
- Salary needs to be reported when **earned** and not when paid. Salary earned for some summer programs (including drivers' education) could be reported in two fiscal years, depending upon when the salaries are earned.
- Payments for unused vacation and/or sick leave are not subject to retirement contributions and should not be reported to TFFR.

- If you do not have contributions to report for a particular month, it is still necessary to submit written notification to TFFR documenting you will not be reporting anything for the given month.
- A **Notification of School District Change** form must be filed with TFFR when a district has a change in name, superintendent, administrator, business manager, individual preparing the report if not the business manager, address, telephone number, fax number, or e-mail address.
- An **Employer Payment Plan** form must be filed if a district is changing models or changing the picked up amount. The form should be sent with the first monthly report due August 15 or as soon as the district is aware of the change. The plan must be implemented on or retroactive to July 1.
- TFFR is available to answer questions concerning the employer payment plan models used to pay member retirement contributions. An analysis to compare models can be completed upon request.
- If your school district is consolidating with another district, going to a non-operating status, or closing, please notify us, in writing, as soon as possible.
- TFFR has experienced a significant increase in electronic employer reporting problems. Please review your reports for accuracy and reasonability **before** submitting to us.
- Please visit our website for easy access to employer information including the **TFFR Employer Guide**, frequently asked questions, and forms.

Happy Easter!

